

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 ARA-10 EA-10 IO-13 ISO-00 AGR-01
INT-05 GSA-02 JUSE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 NEA-10 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 OMB-01 SS-15
/138 W

-----084330 191845Z /53

R 191800Z APR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5301
INFO AMEMBASSY CANBERRA
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY KINSHASA
AMEMBASSY MEXICO
AMEMBASSY OTTAWA
AMEMBASSY OSLO
AMEMBASSY HELSINKI
AMEMBASSY TOKYO
AMEMBASSY PARIS
USMISSION GENEVA
AMEMBASSY BONN

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USEEC
USOECD

E.O. 11652: N/A
TAGS: EMIN, ETRD, ILZSG
SUBJECT: LEAD AND ZINC: 45TH MEETING OF THE ILZSG
STANDING COMMITTEE
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1. SUMMARY: THE STANDING COMMITTEE OF THE INTERNATIONAL LEAD AND ZINC STUDY GROUP (ILZSG) MET IN LONDON APRIL 17-18 TO CONSIDER THE CONTINUING CRISIS IN THE INTERNATIONAL ZINC INDUSTRY. THE MEETING WAS PRECEDED BY A ONE DAY MEETING OF THE ILZSG STATISTICAL COMMITTEE WHICH CONFIRMED THAT THERE HAD BEEN NO REAL IMPROVEMENT

IN THE STAGNANT ZINC INDUSTRY DURING THE PAST SIX MONTHS. BASED ON THAT REVIEW AND THE REQUEST OF FIVE EUROPEAN ZINC PRODUCERS, THE STANDING COMMITTEE DECIDED TO HOLD AN EXTRAORDINARY SESSION OF THE FULL STUDY GROUP IN LATE JUNE TO STUDY MEASURES WHICH MIGHT BE TAKEN TO IMPROVE THE INTERNATIONAL ZINC INDUSTRY.

2. THE SPECIAL STUDY GROUP SESSION: THE STANDING COMMITTEE LAST MET IN JANUARY 1978 WHEN IT REJECTED AN INFORMAL FRENCH/BELGIAN REQUEST TO HOLD A SPECIAL SESSION OF THE FULL STUDY GROUP IN FEBRUARY OR MARCH. INSTEAD, THE STANDING COMMITTEE DECIDED TO DEFER THE QUESTION OF A SPECIAL STUDY GROUP MEETING UNTIL APRIL IN ORDER TO OBTAIN AN UPDATE ON THE ZINC MARKET SITUATION. IN THE MEANTIME, HOWEVER, FIVE EUROPEAN ZINC PRODUCERS -- FRANCE, BELGIUM, THE NETHERLANDS, FRG AND NORWAY -- FORMALLY REQUESTED A SPECIAL STUDY GROUP SESSION AS SOON AS POSSIBLE SINCE THE ILZSG RULES OF PROCEDURE STIPULATE THAT A MEETING OF THE STUDY GROUP MUST BE HELD IF FORMALLY REQUESTED BY FOUR MEMBER GOVERNMENTS. SINCE THE STATISTICAL REVIEW CONFIRMED CONTINUING INDUSTRY STAGNATION, ALL OTHER MEMBERS OF THE STANDING COMMITTEE, INCLUDING THE U.S., WERE PREPARED TO ACCEDE TO THE EUROPEANS' REQUEST. ACCORDINGLY, THE STANDING COMMITTEE'S DELIBERATIONS WERE CONFINED TO THE TIMING AND SUBSTANCE OF A SPECIAL SESSION.

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3. TIMING: EUROPEAN AND LDC PRODUCERS TOOK THE POSITION THAT THE SPECIAL SESSION SHOULD BE HELD AS SOON AS POSSIBLE, MEANING MAY 29 WHEN PALAIS FACILITIES ARE AVAILABLE IN GENEVA. THE U.S., AUSTRALIA AND CANADA TOOK THE POSITION THAT A LATE JUNE OR EARLY JULY MEETING WOULD BE MORE APPROPRIATE SINCE BY THAT TIME THE STUDY GROUP WOULD HAVE THE RESULTS (DUE JUNE 20) OF THE U.S. INTERNATIONAL TRADE COMMISSION'S HEARING ON IMPORT RELIEF FOR DOMESTIC ZINC PRODUCERS UNDER THE ESCAPE CLAUSE PROVISIONS OF THE TRADE ACT OF 1974. IN THE END, A LARGE NUMBER OF UNCOMMITTED DELEGATES (U.K., POLAND, MEXICO, ETC.) INDICATED THAT THEY COULD ACCEPT A LATER DATE AND THE STUDY GROUP EXTRAORDINARY SESSION WAS TENTATIVELY SCHEDULED FOR JUNE 26-30 IN PARIS AT UNESCO HEADQUARTERS.

4. SUBSTANCE: THERE WAS CONSIDERABLE CONFUSION ABOUT WHAT AN EXTRAORDINARY SESSION COULD DO TO IMPROVE THE SITUATION IN THE WORLD ZINC INDUSTRY. THE FRENCH SEEMED TO PRESUME THAT THE MERE CONVENING OF A SPECIAL SESSION WOULD BE HELPFUL BY UNDERLINING THE SERIOUSNESS

OF THE SITUATION SO AS TO CONVINCE PRODUCERS TO BE MORE
REALISTIC IN ADJUSTING PRODUCTION TO LEVELS CLOSER TO
CONSUMPTION PROJECTIONS. THE EEC SPOKESMAN, SPEAKING
FOR THE COMMUNITY, ADVISED THAT THE EEC WOULD HAVE ITS
OWN INTERNAL PROGRAM (PROBABLY INVOLVING PRODUCTION
RESTRAINT AND IMPORT MONITORING) FOR STUDY GROUP REVIEW
AT THE SPECIAL SESSION. OTHER DELEGATIONS CALLED FOR
NEW PROPOSALS TO BE CONSIDERED AT THE SPECIAL SESSION,
BUT MORE WERE SUBMITTED TO THE STANDING COMMITTEE.

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5. ANTITRUST: COMPLICATING THE ISSUE OF POSSIBLE MEASURES TO IMPROVE THE ZINC INDUSTRY WAS EUROPEAN AND AUSTRALIAN CONCERN ABOUT THE POSSIBLE APPLICATION OF ANTITRUST LAWS TO STUDY GROUP ACTIONS. AT THE REQUEST LIMITED OFFICIAL USE

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OF SEVERAL MEMBER GOVERNMENTS, THE USDEL (LENAHAN) OUTLINED THE U.S. POSITION ON THE ILZSG'S POSITION VIS-A-VIS DOMESTIC ANTITRUST LEGISLATION.

6. COMMENT: SEVERAL EUROPEAN MEMBERS VIEW THE CURRENT ZINC SITUATION AS THE ULTIMATE TEST OF THE ILZSG'S ABILITY TO ASSIST IN STABILIZING TRADE IN ZINC AND BELIEVE THAT THE STUDY GROUP MUST TAKE ACTION TO MAINTAIN CREDIBILITY. HOWEVER, MOST EUROPEAN GOVERNMENTS AND CANADA AND AUSTRALIA -- THE TWO PRINCIPAL EXPORTERS -- ADMIT THAT IT IS PROBABLY IMPOSSIBLE UNDER THEIR DOMESTIC LEGAL FRAMEWORK TO RESTRICT PRODUCTION OR EXPORTS OF ZINC METAL. THEY ALSO RECOGNIZE THAT LDC PRODUCERS -- MEXICO, PERU, ZAIRE AND BOLIVIA (NOT AN ILZSG MEMBER) -- PROBABLY WOULD BE UNWILLING OR UNABLE TO RESTRICT PRODUCTION OR EXPORTS. THEREFORE, THE REAL QUESTION FOR THE EXTRAORDINARY SESSION WILL BE TO DETERMINE WHAT CAN BE DONE GIVEN THESE LIMITATIONS. IN HIS INTERVENTIONS, THE USDEL MADE IT CLEAR THAT THE USG WOULD CLOSELY EXAMINE ANY PROPOSAL FOR ILZSG RECOMMENDATIONS, BUT WOULD NOT BE PREPARED TO ENDORSE RECOMMENDATIONS THAT WERE NOT CONSISTENT WITH U.S. LAWS OR THAT WERE DETRIMENTAL TO U.S. ECONOMIC INTERESTS.

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